

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 00392 01 OF 02 292153Z

67

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 TAR-01 L-02 H-01 IGA-01 /076 W

----- 085554

P 292110Z JAN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 9204

LIMITED OFFICIAL USE SECTION 1 OF 2 SAN JOSE 0392

E.O. 11652: N/A

TAGS: EAGR, ETRD, CS

SUBJECT: DISCUSSIONS CONCERNING VOLUNTARY RESTRAINTS ON MEAT

REF: (A) SAN JOSE 303; (B) STATE 019319

SUMMARY. COSTA RICAN OFFICIALS HAVE MADE A STRONG PRESENTATION TO THE EMBASSY OF THEIR NEED FOR MORE FAVORABLE TREATMENT UNDER THE U.S. IMPORT PROGRAM THEN THAT NOW PROPOSED IN THE VRS SYSTEM. THE EMBASSY BELIEVES THAT THEIR ARGUMENTS CARRY WEIGHT AND DESERVE SERIOUS CONSIDERATION. IT IS LIKELY THAT THE COSTA RICAN GOVERNMENT WILL BE SENDING A TEAM TO WASHINGTON TO PRESENT ARGUMENTS OF THE KIND SUMMARIZED IN THIS MESSAGE IN THE NEAR FUTURE.

THE COSTA RICAN REPRESENTATIVES, WHILE ANXIOUS FOR MORE FAVORABLE TREATMENT, UNDERSTAND THE U.S. MEAT SUPPLY SITUATION AND EMPHASIZE THEIR READINESS TO NEGOTIATE A VOLUNTARY RESTRAINT AGREEMENT WITH THE U.S.G. EMBASSY REQUESTS INSTRUCTIONS.
END SUMMARY.

1. AT THE REQUEST OF THE COSTA RICAN GOVERNMENT, CHARGE, ECON OFFICER AND AGATT MET ON JANUARY 28 WITH COSTA RICAN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 00392 01 OF 02 292153Z

GOVERNMENT TEAM APPOINTED TO DEAL WITH QUESTION OF U.S.

REQUEST FOR VOLUNTARY RESTRAINTS ON MEAT EXPORTS. COSTA RICAN TEAM WAS HEADED BY DEPUTY FOREIGN MINISTER VICTOR HUGO ROMAN AND INCLUDED DEPUTY MINISTER OF AGRICULTURE CASTRO, AND REPRESENTATIVES OF OTHER INTERESTED MINISTRIES, MEAT PACKERS AND CATTLEMEN'S ASSOCIATION. ROMAN DESCRIBED

THE TALKS AS AN INFORMAL BUT OFFICIAL DISCUSSION.

2. COSTA RICAN REPRESENTATIVES EMPHASIZED THAT THE LEVEL OF MEAT EXPORTS SUGGESTED UNDER THE U.S. VOLUNTARY RESTRAINT PROGRAM WOULD FORCE UPON COSTA RICA A GRAVE CRISIS AND WOULD BE A VERY SERIOUS BLOW TO ITS DEVELOPMENT PROGRAM, ESPECIALLY WITH REGARD TO AGRICULTURAL DEVELOPMENT. IN THE ABSENCE OF A RESTRAINT PROGRAM, COSTA RICA'S EXPORTS TO THE U.S. THIS YEAR WOULD BE 62 MILLION POUNDS FROM NEW PRODUCTION, PLUS 7 MILLION POUNDS HELD OVER FROM 1974 AS FROZEN MEAT WHICH IT DID NOT PROVE POSSIBLE TO EXPORT PRIOR TO THE END OF 1974. THUS, THE PROPOSED VOLUNTARY RESTRAINT LEVEL OF 43 MILLION POUNDS WOULD LEAVE COSTA RICA WITH AN EXCESS AVAILABILITY OF 26 MILLION POUNDS (7 MILLION FROM LAST YEAR'S STOCK AND 19 MILLION FROM NEW PRODUCTION). COSTA RICA DOES NOT SEE A POSSIBILITY OF EXPORTING ANYTHING LIKE THIS AMOUNT TO ANY OTHER MARKET, NOR DOES IT SEE ANY POSSIBILITY OF THE DOMESTIC MARKET ABSORBING ANY SUCH AMOUNT.

3. COSTA RICA HOPES THAT IT WILL BE POSSIBLE TO FIND SOME MECHANISM OR FORMULA TO AVOID THE CRISIS THAT WILL OTHERWISE OCCUR. SPECIFICALLY, IT HOPES THAT THE U.S. WILL FIND SOME WAY TO REVISE THE QUOTAS TO PROVIDE A MORE EQUITABLE SHARE TO COSTA RICA IN RECOGNITION OF THE ROLE COSTA RICA HAS PLAYED AS A FAITHFUL AND INCREASING SUPPLIER DURING THE PERIOD WHEN QUOTAS HAVE BEEN SUSPENDED, EVEN THOUGH PRICES HAVE NOT ALWAYS BEEN FAVORABLE.

4. SPECIFICALLY, COSTA RICA WOULD HOPE FOR SOME MODIFICATION IN THE PRESENT FORMULA WHICH APPEARS TO COSTA RICANS TO BE MAINLY FAVORABLE TO AUSTRALIA. THE POINT OUT THAT AUSTRALIA, WHICH SUPPLIED ONLY 46 PCNT OF MEAT IMPORTS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 00392 01 OF 02 292153Z

IN 1974, WOULD RECEIVE A QUOTA AMOUNTING TO 54 PCNT OF THE TOTAL IN 1975, WHEREAS COSTA RICA'S EXPORTS WOULD BE REDUCED SUBSTANTIALLY BELOW THE 1974 LEVEL. (EMBOFFS POINTED OUT THAT THE QUOTA WAS NOT SET UP TO FAVOR AUSTRALIA BUT WAS STRICTLY MATHEMATICAL AND BASED ON PERFORMANCE OVER A THREE-YEAR BASE PERIOD. THUS, THE COSTA RICAN POINT APPEARS TO BE AN ARGUMENT IN FAVOR OF USING A SHORTER AND MOST RECENT BASE PERIOD).

5. THE COSTA RICAN DELEGATES PRESENTED A NUMBER OF ARGUMENTS IN FAVOR OF SOME FORM OF SPECIAL TREATMENT FOR COSTA RICA OR SOME MODIFICATION OF THE FORMULA UNDER WHICH VOLUNTARY RESTRAINTS ARE COMPUTED. THESE POINTS CAN BE SUMMARIZED AS FOLLOWS:

(1). COSTA RICA HAS BEEN A FAITHFUL AND STEADILY INCREASING SUPPLIER;

(2). IT IS NEARBY AND COULD BE CONSIDERED A NATURAL SUPPLIER OF THE U.S. MARKET AS COMPARED TO NATIONS WHICH ARE LOCATED FARTHER AWAY AND PERHAPS CLOSER TO OTHER MARKETS;

(3). COSTA RICA PRODUCES A HIGH QUALIFY BEEF;

(4). COSTA RICA IS A DEVELOPING COUNTRY WHICH IS MORE DEPENDENT ON BEEF EXPORTS THAN SOME OTHER LARGER OR MORE DIVERSIFIED ECONOMIES;

(5.) COSTA RICA HAS INVESTED SOME 1.5 BILLION COLONES (\$175 MILLION) IN CATTLE DEVELOPMENT OVER THE PAST TEN YEARS FROM ITS OWN RESOURCES AND FROM INTERNATIONAL LENDING AGENCIES INCLUDING SOME AID LOANS GRANTED THROUGH THE NATIONAL BANK.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 SAN JO 00392 02 OF 02 292232Z

67

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 TAR-01 L-02 H-01 IGA-01 /076 W

----- 085996

P 292110Z JAN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 9205

LIMITED OFFICIAL USE SECTION 2 OF 2 SAN JOSE 0392

(6.) THE EUROPEAN MARKET IS OPEN TO SOME OTHER SUPPLIERS BUT NOT TO COSTA RICA WHICH MUST RELY ON THE U.S. MARKET;

(7). THE CATTLE INDUSTRY IN COSTA RICA HAS A LARGE NUMBER OF SMALL PRODUCERS. THUS A CUTBACK WOULD NOT MERELY HURT BIG OPERATORS BUT WOULD HAVE SERIOUS SOCIO-LOGICAL AND POLITICAL EFFECTS;

(8.) COSTA RICA, UNLIKE MANY OTHER SUPPLIERS, CONTINUED TO INCREASE ITS SHIPMENTS OF BEEF TO THE U.S. DURING THE PERIOD WHEN QUOTAS WERE SUSPENDED AND WHEN THIS BEEF WAS NEEDED BY THE U.S. MARKET;

(9). COSTA RICA COULD AND WOULD SUPPLY MEAT TO MEET A HIGH VRS LEVEL, WHEREAS IN THE OPINION OF COSTA RICAN OFFICIALS SOME OTHER SUPPLIER COUNTRY WILL HAVE DIFFICULTY MEETING EVEN THE LEVELS CURRENTLY ASSIGNED TO THEM UNDER THE PROPOSED VRS SYSTEM.

6. COSTA RICA'S SPECIFIC REQUEST IS THAT THE USG ATTEMPT TO FIND A WAY TO FIVE COSTA RICA A QUOTA OF AT LEAST 57 MILLION POUNDS OF MEAT FROM 1975 PRODUCTION. THE COSTA RICAN OFFICIALS STATED THAT EVEN WITH A QUOTA OF 57 MILLION POUNDS, DOMESTIC CONSUMPTION IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 00392 02 OF 02 292232Z

COSTA RICA WOULD HAVE TO BE INCREASED BY 3.5 KILOGRAMS PER CAPITA IN ORDER TO DISPOSE OF THE EXPECTED 1975 SURPLUS. THEY WOULD ALSO HOPE THAT A WAY COULD BE FOUND TO ALLOW THE IMPORTATION, APART FROM THE VRS SYSTEM, OF THE 7 MILLION POUNDS OF FROZEN MEAT IN STOCK WHICH WAS NOT EXPORTED AT THE END OF 1974 BECAUSE OF COMPLI-CATIONS RELATING TO A CHANGE IN COSTA RICA'S EXPORT TAX SYSTEM (MEAT PACKERS HELD UP SHIPMENTS BECAUSE COSTA RICAN EXPORT TAXES WERE SCHEDULED TO BE LIFTED AS OF JANUARY 1).

7. EMBOFF ASKED IF ANY EFFORTS WERE BEING MADE TO FIND ALTERNATIVE MARKETS FOR EXCESS BEEF. RESPONSE WAS THAT EFFORTS ARE BEING MADE TO SELL BEEF TO VENEZUELA, TAIWAN, ISRAEL AND THE USSR, BUT THAT THE OUTLOOK WAS NOT PROMISING. WITH THE EXCEPTION OF THE USSR, OTHER MARKETS WERE SAID TO BE SMALL AND THERE ARE TRANSPORTATION PROBLEMS. PRELIMINARY TALKS HAVE BEEN HELD WITH USSR, BUT AUSTRALIA AND NEW ZEALAND MAY HAVE USURPED THAT MARKET, PLUS COSTA RICAN OFFICIALS EXPRESSED RELUCTANCE TO DO BUSINESS WITH USSR AS USSR USUALLY IMPOSED CONDITIONS SUCH AS PURCHASES OF TRACTORS. ALSO, THEY POINTED OUT THAT THE U.S. HAS ALWAYS BEEN A NATURAL MARKET; THERE IS A LARGE NATURAL BILATERAL TRADE BETWEEN OUR TWO COUNTRIES, AND FOUNDATION STOCK FOR LOCAL CATTLE HERD ARE PURCHASED FROM THE U.S.

8. IN MAKING THEIR PRESENTATION, COSTA RICAN OFFICIALS PRESSED EMBOFFS FOR ANSWERS TO THREE KEY QUESTIONS:

- (1) CAN THE PROPOSED GLOBAL VRS LEVEL OF 1,150 MILLION POUNDS BE INCREASED AND, IF SO, CAN IT BE INCREASED BEYOND 1,181?
- (2) WHAT ARE THE POSSIBILITIES OF INCREASING COSTA RICA'S PERCENTAGE SHARE OF THE PROPOSED VRS OF 3.8 PERCENT?
- (3) WHAT ARE THE POSSIBILITIES OF REALLOCATING SHORTFALLS?

IN RESPONSE, CHARGE DESCRIBED CURRENT MEAT SITUATION, PRESIDENT FORD'S OCTOBER STATEMENT OF INTENT, AND PROVISIONS OF LAW BUT DECLINED TO SPECULATE ABOUT LIMITS OF FLEXIBILITY FOR NEGOTIATION, OTHER THAN TO SUGGEST PROBABLE ACCEPTABILITY OF IDEA OF REALLOCATING SHORTFALLS. AT THE SAME TIME, THE CHARGE REFRAINED FROM DISCOURAGING COSTA RICANS FROM MAKING ANY ARGUMENTS WHICH THEY CONSIDER IMPORTANT TO THEIR CASE.

9. SPEAKING FOR GOCR, ROMAN STATED READINESS TO NEGOTIATE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 00392 02 OF 02 292232Z

VOLUNTARY RESTRAINT AGREEMENT WITH USG. EMPHASIS IS CLEARLY ON "NEGOTIATE", AND GOCR VIEWS OUR MEETING JAN. 28 AS FIRST STAGE. THEY ARE PREPARING SEND SPECIAL TEAM TO WASHINGTON.

10. COSTA RICAN OFFICIALS AGAIN EXPRESSED DESIRE TO BE INFORMED AS SOON AS WE KNOW DATE OF SCCN MEETING.

11. IN RESPONSE TO THE DEPARTMENT'S QUESTION IN REF (B) THE COSTA RICAN OFFICIALS ANSWERED THAT ESSENTIALLY THEY WERE ABLE TO CONTINUE TO INCREASE SHIPMENTS OF BEEF TO THE U.S., DESPITE LOW PRICES, BECAUSE THEY HAD MADE THE INVESTMENT TO EXPAND BEEF HERDS AND THE BEEF COULD BEST BE SOLD IN THE U.S. WHERE COSTA RICA'S PROXIMITY GIVES IT A RELATIVE ADVANTAGE. (AS THE EMBASSY HAS POINTED OUT PREVIOUSLY, THE DEVALUATION OF THE COSTA RICAN CURRENCY IN APRIL 1974 WAS ALSO HELPFUL IN MAINTAINING PRICES AS EXPRESSED IN COLONES). COSTA RICA'S 1974 LEVEL OF MEAT PRODUCTION DID NOT REDUCE HERDS AND COSTA RICA EXPECTS TO BE IN A POSITION TO CONTINUE TO EXPAND SUPPLIES, IF WARRANTED BY DEMAND. MOREOVER, REDUCTION OF EXPORT TAX ON BEEF JANUARY 1, 1975 WILL ASSIST PRODUCERS TO MEET EXPORT DEMAND EVEN IF PRICE LEVELS REMAIN LOW.

12. ACTION REQUESTED: EMBASSY REQUESTS ANY GUIDANCE OR INSTRUCTIONS FOR FURTHER DIALOGUE WITH GOCR.
LANE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEATS, IMPORT QUOTAS, MEETINGS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO00392
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750033-0487
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750110/aaaaaand.tel
Line Count: 275
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SAN JOSE 303, 75 STATE 019319
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by ElyME>; APPROVED <09 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISCUSSIONS CONCERNING VOLUNTARY RESTRAINTS ON MEAT
TAGS: EAGR, ETRD, EPAP, CS, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006